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Impact of KAL Downing on Japan-Russia Relations

From the first reports about the stunning Soviet downing of a Korean airliner in the Sea of Japan, the United States and Japan have closely coordinated their responses to the Soviet action. Secretary of State Shultz's announcement of the Soviet missile attack was largely based on information from Japanese sources, as was the taped material between the Soviet pilots and the ground stations. The Japanese press reported that the Defense Air Force base on the northern tip of Hokkaido, one of nine electronic stations, discovered the KAL missing around 5 a.m. September 1. By late morning, the Cabinet was fully informed of the sequence of events and the 50-minute tape was delivered to American military intelligence officers the same day. Apparently, though, the release of the tapes shocked Japanese Defense Agency and Foreign Ministry officials as there had been no prior consultation on the matter. It was reported, in fact, that the Defense Agency regarded the disclosure as too sensitive in view of the possibility of a Soviet

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1981	1982	January-July 1982	January-July 1983	May 1983	June 1983	July 1983
Japan's Balance of Payments							
Trade Balance	$ 19,967	$ 18,079	$10,121	$16,498*	$ 2,708*	$ 2,772*	$ 3,762*
Exports (f.o.b.)	149,522	137,663	82,132	81,498*	11,478*	12,143*	12,499*
Imports (f.o.b.)	129,555	119,584	72,011	65,000*	8,770*	9,371*	8,737*
Current Account Balance	4,770	6,850	3,166	10,398*	1,665*	2,215*	2,855*
Long-Term Capital (net)	-9,672	-14,969	-12,330	-8,237*	-71*	-1,622*	-1,799*
Overall Balance	-2,144	-4,971	-7,170	2,943	2,048	1,384	874
International Reserves (end of period)	28,403	23,262	25,669	24,939	24,484	24,782	24,939
Japan's Customs Clearance Trade							
Trade Balance	8,741	6,900	3,183	10,277*	1,807	1,885	2,851*
Exports (f.o.b.)	152,030	138,831	83,034	82,023*	11,650	12,289	12,615*
Cars	18,445	18,015	10,882	11,483*	1,654	1,625	1,717*
Steel	16,669	15,645	9,834	7,112*	1,018	1,105	1,028*
Imports (c.i.f.)	143,290	131,931	79,851	71,716*	9,844	10,404	9,765*
Crude Oil	53,343	46,274	27,743	23,259*	2,721	2,940	2,751*
Japan-U.S. Trade							
Trade Balance	13,312	12,151	7,192	8,603*	1,140	1,417	1,528*
Exports (f.o.b.)	38,609	36,330	21,805	22,621*	3,236	3,685	3,686*
Imports (c.i.f.)	25,297	24,179	14,613	14,018*	2,096	2,267	2,158*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	¥219.90	¥235.00	---	---	¥238.30	¥239.70	¥241.70
U.S.-Japan Trade							
Trade Balance	-15,789	-16,778	-10,326	-10,709	-1,914	-1,348	-1,637
Exports (f.a.s.)	21,823	20,966	12,244	11,961	1,547	1,936	1,920
Industrial Supplies	8,983	9,173	5,408	4,881	585	701	706
Food and Feed	5,896	4,971	2,811	2,960	415	439	530
Capital Goods	4,767	4,434	2,663	2,777	368	605	459
Consumer Goods	1,318	1,356	805	811	108	122	124
Imports (Customs)	37,612	37,744	22,570	22,670	3,461	3,284	3,557
Automotive Products	12,950	12,890	7,748	8,420	1,401	1,295	1,253
Industrial Supplies	7,179	6,795	4,416	2,966	444	398	453
Consumer Goods	8,340	7,842	4,486	4,401	586	610	694
Capital Goods	8,589	9,530	5,476	6,504	975	928	1,099

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1981	1982	January-June 1982	January-June 1983	April 1983	May 1983	June 1983
Discount Rate (end of period)	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Outstanding Money Supply	8.9%	9.2%	9.9%	7.6%	7.6%	7.5%	7.7%
Industrial Production	1.0%	0.3%	2.0%	0.4%	1.1%	2.2%	1.9%
Manufacturing Operating Rate	-4.6%	-2.9%	-2.0%	-1.6%	-1.6%	0.0%	0.3%
Number of Bankruptcies	-1.5%	-2.8%	-3.1%	7.1%	0.8%	8.4%	16.2%
Residential Construction Starts	-9.2%	-0.5%	-8.5%	-0.7%	-3.8%	-11.2%	-0.1%
Job Openings to Applications (ratio)	0.68	0.61	0.63	0.59	0.60	0.57	0.58
Nominal Wages	5.3%	4.5%	4.7%	4.8%	3.8%	3.5%	4.2%
Labor Productivity	2.4%	1.0%	3.1%†	-0.3%†	n.a.	n.a.	n.a.
Wholesale Prices	1.4%	1.8%	2.1%	-1.4%	-0.7%	-0.3%	0.3%
Consumer Prices	4.9%	2.7%	2.7%	2.1%	0.4%	1.1%	-0.7%
Yen-Based Export Prices	1.2%	3.9%	5.9%	-5.5%	-6.6%	-4.9%	-6.5%
Yen-Based Import Prices	1.6%	7.9%	7.3%	-3.9%	-6.1%	-6.7%	-8.3%

†Through March of each year only.

For Japan's most recent GNP figures, see JEI Report No. 25B, July 1, 1983.